

June 9, 1978

TO: CITY COUNCIL

FROM: NORMAN R. KING, CITY MANAGER

SUBJECT: PRESERVING THE AMERICAN DREAM

I would like to make the following comments about the aftermath of proposition 13.

1. My responsibility and that of the Claremont city professional staff is to implement the policies and programs adopted by the Claremont City Council. We intend to take this responsibility no less seriously now that proposition 13 has become law. We are well aware that the financial limitations imposed on Claremont are particularly stringent when compared to most other cities. This will be particularly difficult to accomplish because Claremont has traditionally had less revenue available than most cities and by necessity has already implemented many operating efficiencies. However, we will try to do better and more with what we have. And, in any case, we will do the best we can.
2. There may be some important opportunities in proposition 13. Don Benninghoven, executive director of the League of California Cities, writing in the newest "Western Cities" magazine states that local elected officials are probably more frustrated than many of the people who voted for proposition 13. They are "frustrated with endless red tape and regulations imposed by the county, the region, Sacramento, and Washington". As the council is well aware, the city budget has been severely impacted over the years by restrictions imposed by the state legislature and the court system which have caused increased costs without increased productivity and which has hampered the ability of city councils to efficiently manage their own affairs. Perhaps the decisive vote on prop. 13 will cause the state legislature, and hopefully even congress, to pause before implementing new requirements which inhibit city officials' ability to govern. As Don states, "the league will serve as a catalyst--working with officials throughout the state--to use this 'crisis' time for bringing about positive change -- steps are already underway--we hope that you join in this effort." I am sure that the Claremont City Council will wish to do so.
3. Although Claremont has implemented user fees and development fees far more broadly than most cities, there still may be further opportunities to transfer costs which have previously been borne by the property tax. This will be particularly true in the redevelopment project area because, with the substantial limitations now placed on tax increment financing, the ability of the agency to offer inducements to new development will be substantially reduced. Public funds will simply not be available for certain improvements. For instance, there would appear to be virtually no change for the additional Village parking lots to be funded by the redevelopment agency. In this situation it may not be appropriate to allow parking fees to be accepted in lieu of the provision of private parking for Village area improvements because of the improbability that the agency can provide the parking in the future.

4. For the record and the innumerable questions which we will receive, I thought that the following information might be helpful:
- a. In 1977/78 the owner of an average Claremont house (presently assessed at \$40,000) paid property taxes based on the Claremont city tax rate (which is \$2.72 per \$100 assessed value and includes fire and library districts) amount to \$225 per year or \$18 per month. In real dollars (that is adjusted for inflation) this is less than was paid on the same house 10 years ago. (Note also that the net property taxes paid by the homeowner is less by the amount of the federal and state income tax deduction for property taxes. For most Claremont homeowners this results in an effective reduction of at least 30%.)
 - b. Proposition 13 will reduce this property tax payment to approximately \$49 per year, or \$4 per month. That is, the city will receive only 22 percent of that received in 1977-78 from the average house, and this assumes that the city will receive the same proportion of the property taxes that it is now receiving, a possibly dubious assumption.
 - c. The reduction of \$18 to \$4 per month to the average homeowner may or may not be noticed by the homeowner. However, in that it totals well over \$1,000,000 to the city and library and the fire district, it will be noticed by these agencies. It will be difficult to adequately preserve our streets, library, fire station, parks, buildings and trees with this reduction.
5. The council has provided basic direction for the city service reduction. These tentative decisions must be reaffirmed and reevaluated over the next few weeks and there will be innumerable details that must be worked out. During this time I hope that citizens will suggest to the city council and staff ways in which we can reduce our costs and services which perhaps have not been discussed heretofore.
6. The tentatively approved contingency budget eliminates from 30 to 35 positions from the approximately 105 existing general fund positions. The proposed 78-79 budget (non-prop.13) recommended an additional 12 positions--an increase roughly equal to the increase of city population and housing units over the past year. Thus, the actual position reduction will approach 42 to 47 positions out of a potential work force of the 120 positions, which I believe are necessary to continue to provide the existing level of services.

Respectfully submitted,

Norm King

Norman R. King
City Manager

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